

Board Approves 5% Cost-of-Living Adjustment



Contribution Rates Unchanged
for 2022-2023 School Year

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PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

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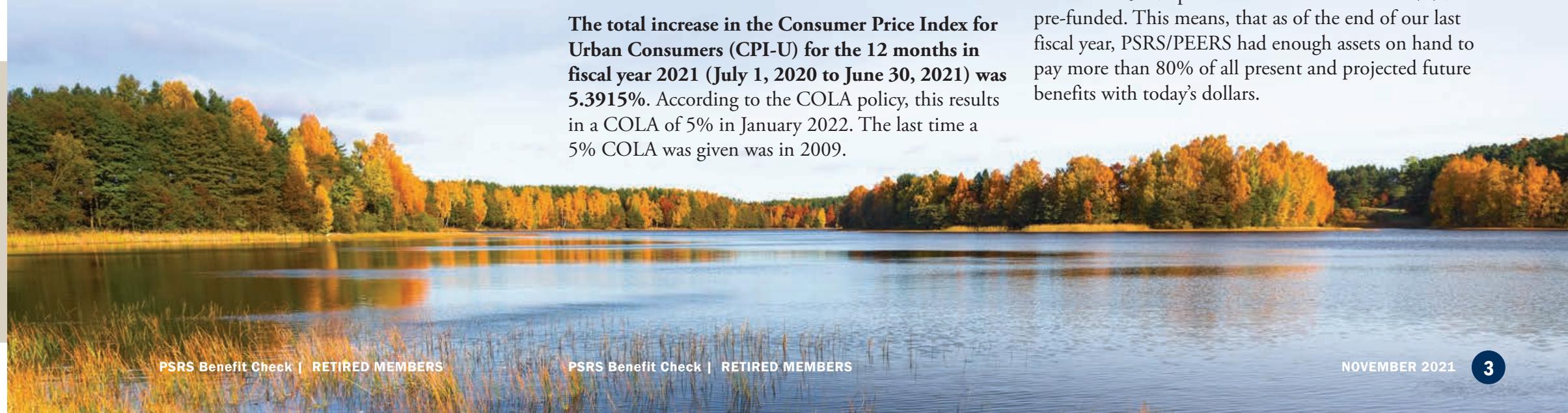
Contribution Rates Unchanged for 2022-2023 School Year

At the October 25, 2021 PSRS/PEERS Board of Trustees meeting, the Board voted to maintain the current active member and employer contribution rates at their current levels for the upcoming school year. The 2022-2023 school year runs from July 1, 2022 to June 30, 2023.

Based on the recommendation of the Systems' actuary, PricewaterhouseCoopers (PwC), PSRS contribution rates will remain as follows:

2022-2023 PSRS Contribution Rates		
Member Rate	Employer Rate	Combined Rate
14.5%	14.5%	29%

Contribution rates have held steady since 2012.



Board Approves 5% Cost-of-Living Adjustment for Eligible Benefit Recipients

At the October 25, 2021 PSRS/PEERS Board of Trustees meeting, the Board voted to grant a 5% cost-of-living adjustment (COLA) for eligible benefit recipients effective January 1, 2022.

Missouri law states that a 5% COLA must be granted when the CPI-U equals or exceeds 5%.

PSRS/PEERS COLA Policy

CPI-U	COLA
Less than 0.0%	0.0%
0.0% to 2.0%	0.0% when CPI-U is cumulatively below 2.0%
0.0% to 2.0%	2.0% when CPI-U cumulatively reaches 2.0% or more*
2.0% to 5.0%	2.0% when the CPI-U is at least 2.0%, but less than 5.0%
5.0% or more	5.0%

*resets cumulative calculation after a COLA is provided

The total increase in the Consumer Price Index for Urban Consumers (CPI-U) for the 12 months in fiscal year 2021 (July 1, 2020 to June 30, 2021) was 5.3915%. According to the COLA policy, this results in a COLA of 5% in January 2022. The last time a 5% COLA was given was in 2009.

“Over the past fiscal year, we experienced an unusually high CPI-U increase. The COLA policy is designed to ensure that our retirees receive an adequate COLA in years when the cost of living increases. We are confident that the policy is working as intended, to help us ensure we make sound decisions that are in the best financial interest of all our members.”

Jason Steliga, PSRS/PEERS Board Chair

It is the Board's fiduciary responsibility to the Systems and members to make decisions that are consistent with maintaining the Systems' ongoing financial health and strong funded status. As of June 30, 2021, PSRS was 85.2% pre-funded and PEERS was 87.7% pre-funded. This means, that as of the end of our last fiscal year, PSRS/PEERS had enough assets on hand to pay more than 80% of all present and projected future benefits with today's dollars.

Strong Investment Returns in 2021

An improving global economy, coupled with unprecedented stimulus from both the Federal Reserve and the federal government, led to strong gains in stock markets over the first three quarters of calendar year 2021. U.S. stocks (as measured by the S&P 500 Index) returned 15.9% for the year through September 30, 2021, while non-U.S. developed stocks (as measured by the MSCI EAFE Index) moved 8.4% higher.

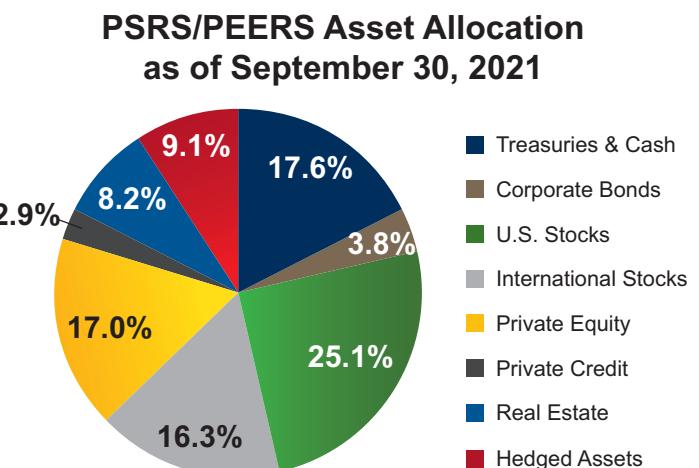
In contrast, while interest rates have remained near historical lows throughout the year, the yield on the 10-year Treasury Note did increase from 0.91% at the beginning of the year to 1.52% on September 30, 2021. This increase in yield contributed to negative returns in 2021 (year-to-date) for most investors in bonds (when yields rise, bond prices fall).

Despite the recent early market gains in 2021, the economy (and the investment markets) remains somewhat fragile due to the continuation of the COVID-19 pandemic, inflationary pressures, supply chain issues, high levels of unemployment and geopolitical events.

Additionally, in the current environment, virtually every asset class (especially global stock markets) is priced rather high, or is at least fully valued. Because of this, we expect market returns to moderate going forward. Global stock markets have been more volatile in the second half of 2021, and have moved lower in recent months (September). We believe this increased volatility and the recent pull-back in stock markets is both completely normal and expected.

Our long-term investment goal is to provide **consistent** and meaningful investment returns to support retirement benefits for our members. As a large institutional investor, we believe that we are particularly well-suited to navigate upcoming markets given our ability to invest over a 30-year time horizon.

The following chart illustrates the PSRS/PEERS asset allocation, which is highly diversified among several different investment classes.



The PSRS/PEERS asset allocation is balanced with a significant distribution to return-seeking assets (assets expected to grow and be more volatile than cash or bonds) such as stocks and private equity, but also a healthy allocation to more defensive investments (investments that provide consistent and stable earnings regardless of the overall state of the markets) such as Treasury securities, cash and hedged assets.

Historically low interest rates and market volatility/uncertainty may be part of the investment landscape for the next several years. As a result, we believe it is prudent to maintain a structured portfolio that has an opportunity to participate if the markets continue to move higher, but also has substantial downside protection in the event of a market correction. Additionally, we are spending more time on complementary asset classes (i.e., Private Credit) as an alternative in a low-yielding world. Each asset class within the PSRS/PEERS investment portfolio performs a valuable function.

Continued on page 5

The following chart indicates the investment returns for the major asset classes in the PSRS/PEERS portfolio over the last 10 years, for the period ended September 30, 2021.

10-Year PSRS/PEERS Investment Returns (by Asset Class)

Treasuries and Cash	2.0%
U.S. Stocks	16.0%
Hedged Assets	6.8%
Private Equity	19.0%
Real Estate	10.1%
International Stocks	10.2%
Corporate Bonds	4.0%

The Systems' long-term investment objective (actuarial assumption)¹ is 7.3% per year. We will not achieve that return goal every year, but we expect to meet or exceed that return over long periods of time. For example, the PSRS/PEERS year-to-date investment return for calendar year 2021 (January 1, 2021 through September 30, 2021) is approximately 13.7%. Most importantly, the total plan return of 10.7% over the last 10 years exceeds both the historical long-term investment objective (actuarial assumption) and the total plan policy benchmark return² of 9.7%.

10-Year Investment Results Period Ending 9/30/21

PSRS/PEERS Investment Return	10.7%
PSRS/PEERS Actuarial Assumption ¹	7.3%
Benchmark Return ²	9.7%

The market value of invested assets for PSRS and PEERS combined was approximately \$57 billion on September 30, 2021, making the joint entity larger than all other public retirement plans in Missouri combined, and the 46th largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at www.psrs-peers.org.

¹The Board of Trustees long-term investment return objective was reduced to 7.3% effective July 1, 2021.

²The plan policy benchmark is a standard to measure investment performance and indicates the return of the PSRS/PEERS asset allocation if passive market rates of return were achieved.

Your Retirement System Remains Well-Funded

As of June 30, 2021, PSRS was 85.2% pre-funded and PEERS was 87.7% pre-funded. This means, that as of the end of our last fiscal year, PSRS/PSRS had enough assets on hand to pay more than 80% of all present *and* projected future benefits with today's dollars.



Where do PSRS/PEERS Funds Come From?

PSRS/PEERS' funding comes from three sources, member contributions, employer contributions and investment earnings. Investment earnings are the primary source of funding for every dollar of PSRS/PEERS benefits paid.

25-Year-Average



Note: The 18¢ includes member contributions and service purchases.



Be Sure to Check Your Annual **Benefit Statement**, Coming in January

In January, you will receive your annual PSRS **Benefit Statement**. The **Benefit Statement** is a comprehensive summary of your PSRS membership and your monthly benefit as of January 31, 2022.

This important document is a record of your:

- Benefit amount
- Tax information and withholding amounts
- Benefit plan and benefit history
- Cost-of-living adjustments (COLAs)
- Beneficiary designation

We recommend that you review your statement to see if you need to make updates to your contact information or beneficiary designation with PSRS.

- You can update your mailing address, phone or email address by logging in to Web Member Services at www.psrs-peers.org or using a **Member Information Change** form available on our website or from our office.
- Please contact us with any questions about changes to your post-retirement beneficiary designation.

Income Taxes and Your PSRS Benefits

IRS Form 1099-R

Y our 2021 IRS Form 1099-R will mail in January. This tax document shows the total funds you received from PSRS in calendar year 2021, the taxes withheld, and the dollar amounts considered taxable income. You will need this form when filing your 2021 income tax returns. If you have a professional tax advisor, we suggest that you make this information available for his or her review.

Missouri Public Pension Exemption

For tax year 2021, married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000 may deduct up to 100% of their public retirement benefits (such as PSRS service retirement benefits), to the extent the amounts are included in their federal adjusted gross income.

Married couples with Missouri adjusted gross income greater than \$100,000 and single individuals with Missouri adjusted gross income greater than \$85,000, may qualify for a partial exemption.

There is no age requirement for eligibility.

Visit www.dor.mo.gov for more information regarding eligibility or contact the Missouri Department of Revenue at (573) 751-3505, email income@dor.mo.gov or consult a tax professional for more information.

Is Your Beneficiary Designation Up-to-Date?



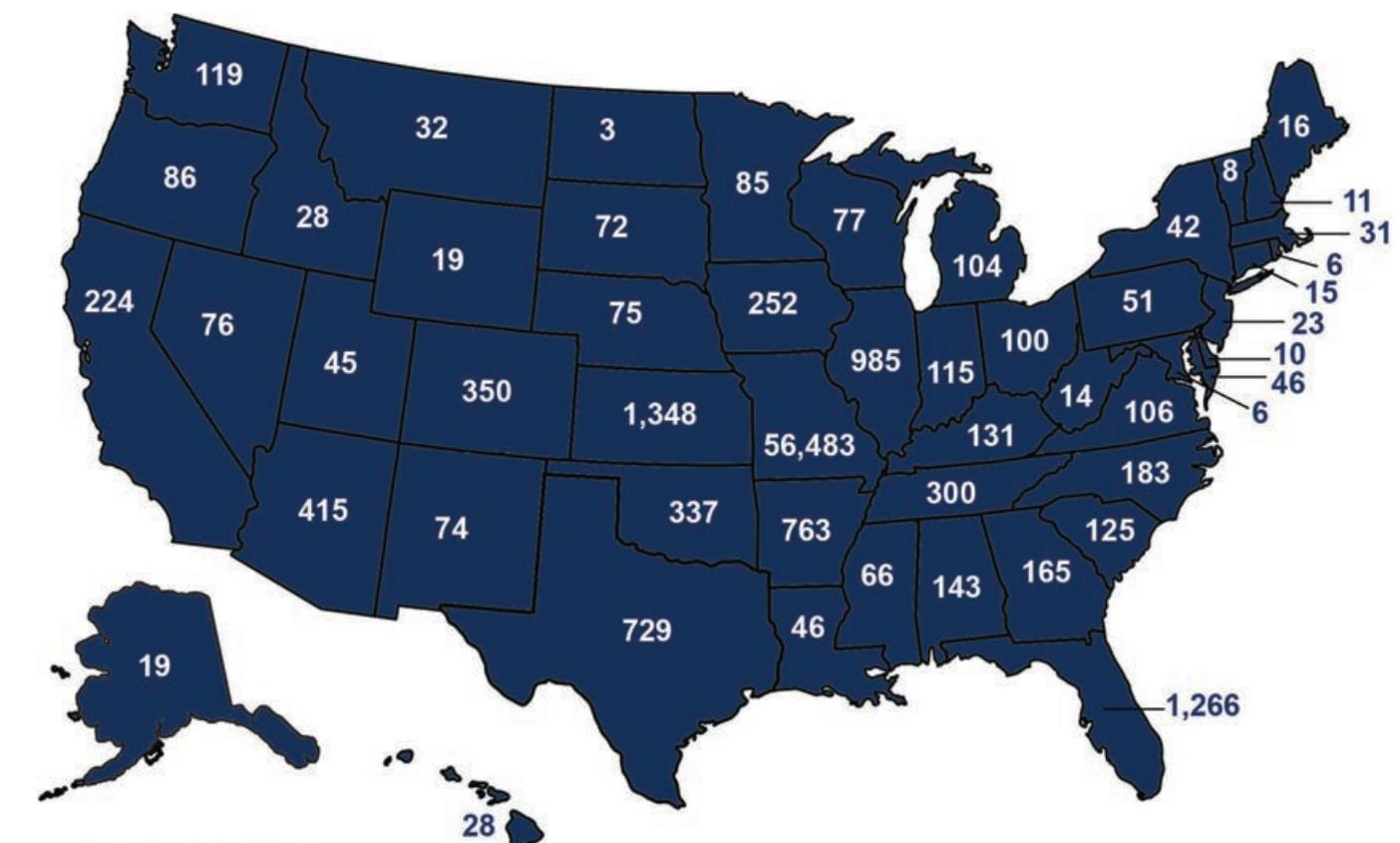
Make Sure We Can Pay Benefits According to Your Wishes

It is important to keep your beneficiary designations up-to-date to ensure any benefits payable to your loved ones upon your death are distributed according to your wishes. You can see your current beneficiary designations by logging in to Web Member Services at www.psrs-peers.org or by referring to your annual **Benefit Statement**.

Disability retirees and service retirees who selected the Single Life benefit plan or a Term-Certain benefit plan can update beneficiary designations at any time using forms available on our website or by contacting our office. Your beneficiary for the \$5,000 Death Benefit can also be updated at any time.

If you selected a Joint-and-Survivor benefit plan at retirement, you can only change your beneficiary if you designated your spouse at retirement and a death or divorce has occurred. If this is the case, please contact us for more information.

Where do Retirees Live?



Total PSRS Retirees Living Inside the U.S.: 65,883*
*Includes 4 in the U.S. Virgin Islands and 1 in Puerto Rico

PSRS Retirees Living Outside the U.S.: 25



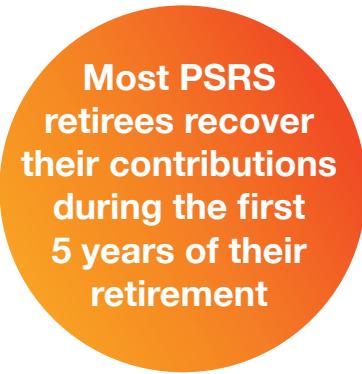
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We are Here for You!

PSRS currently serves more than 61,000 retired, certificated Missouri public school employees. It is our ongoing goal to provide retirement security to Missouri's educators and education employees after a full career of service. PSRS lifetime monthly benefits provide reliable retirement income, no matter how long you live.



As of June 30, 2021, Unaudited